

whose principal job is the operation of plant equipment, such as general purpose computer operators, aircraft pilots, chauffeurs and shuttle bus drivers. However, when the operation of equipment is performed as part of other identifiable functions (such as the use of office equipment, capital tools or motor vehicles) the operators' cost shall be charged to accounts appropriate for those functions. (For costs of operator services personnel, see Accounts 6621, Call Completion Services, and 6622, Number Services, and for costs of test board personnel see Account 6533.)

(c) *Plant Nonspecific Operations Expense.* The Plant Nonspecific Operations Expense accounts shall include expenses related to property held for future telecommunications use, provisioning expenses, network operations expenses, and depreciation and amortization expenses. Accounts in this group (except for Accounts 6540, Access Expense, and Accounts 6560 through 6565) shall include the costs of performing activities described in narratives for individual accounts. These costs shall also include the costs of supervision and office support of these activities.

(d) *Customer Operations Expense.* The Customer Operations Expense accounts shall include the cost of performing customer related marketing and services activities described in narratives for individual accounts. These costs shall also include the costs of supervision, office support and training for these activities.

(e) *Corporate Operations Expense.* The Corporate Operations Expense accounts shall include the costs of performing executive and planning activities and general and administrative activities described in narratives for individual accounts. These costs shall also include the costs of supervision, office support and training for these activities.

(f) *Expense Matrix.* **FOR COMPANIES NOT SUBJECT TO SECTION 32.2(g),** the expense accounts shall be maintained by the following subsidiary record categories, as appropriate to each account. Such subsidiary record categories shall be reported as required by Part 43 of this Commission's Rules and Regulations.

(1) *Salaries and wages.* This subsidiary record category shall include compensation to employees, such as; wages, salaries, commissions, bonuses, incentive awards and termination payments.

(2) *Benefits.* This subsidiary record category shall include payroll related benefits on behalf of employees such as the following:

- Pensions
- Savings plan contributions (company portion)
- Workers compensation required by law
- Life, hospital, medical, dental, and vision plan insurance
- Social Security and other payroll taxes

(3) *Rents.*

(i) This subsidiary record category shall include amounts paid for the use of personal operating property. Amounts paid for real property shall be included in Account 6121, Land and Buildings Expense. This category includes payments for operating leases but does not include payments for capital leases.

(ii) This subsidiary record category is applicable only to the Plant Specific Operations Expense accounts. Incidental rents, e.g., short-term rental car expense, shall be categorized as Other Expenses (see paragraph (f)(4) of this section) under the

account which reflects the function for which the incidental rent was incurred.

(4) *Other expenses.* This subsidiary record category shall include costs which cannot be classified to the other subsidiary record categories. Included are material and supplies, including provisioning (note also Account 6512, Provisioning Expense); contracted services; accident and damage payments, insurance premiums; traveling expenses and other miscellaneous costs.

(5) *Clearances.* This subsidiary record category shall include amounts transferred to Construction accounts (see § 32.2000 (c)(2)(iii)), or other Plant Specific Operations Expense accounts, and/or Account 3100, Accumulated Depreciation (cost of removal; see § 32.2000(g)(1)(iii)), as appropriate, from Accounts 6112, Motor Vehicle Expense, 6113, Aircraft Expense, 6114, Special Purpose Vehicles Expense, 6116, Other Work Equipment Expense, 6534, Plant Operations Administration Expense, and 6535, Engineering Expense. There shall also be transfers to Construction or other Plant Specific Operations Expense accounts, as appropriate, from Account 6512, Provisioning Expense. With respect to these expenses, companies may establish such clearing accounts as they deem necessary to accomplish substantially the same results, provided that within 30 days of the opening of such accounts, companies shall notify the Commission of the nature and purpose thereof. Additional clearing accounts affecting other expense areas may be established with prior approval of the Commission. Should companies elect, the initial incurred subsidiary record category identification may be carried through to the final accounts without this Commission's approval.

(g) *Reimbursements.* Reimbursements of actual costs incurred in connection with joint operations or projects, repairing plant due to damages by others, and obligations to make changes in telecommunications plant (such as highway relocations), shall be credited to the accounts originally charged.

(h) *Expense accounts to be maintained.*

<u>Account Title</u>	<u>Class A Account</u>	<u>Class B Account</u>
<b>INCOME STATEMENT ACCOUNTS</b>		
Plant specific operations expense:		
Network support expense	6110 <sup>12</sup>	6110
Motor vehicle expense	6112 <sup>1</sup>	
Aircraft expense	6113 <sup>1</sup>	
Special purpose vehicles expense	6114 <sup>1</sup>	
Garage work equipment expense	6115 <sup>1</sup>	
Other work equipment expense	6116 <sup>1</sup>	
General support expenses	6120 <sup>12</sup>	6120
Land and building expenses	6121 <sup>1</sup>	
Furniture and artworks expense	6122 <sup>1</sup>	
Office equipment expense	6123 <sup>1</sup>	
General purpose computers expense	6124 <sup>1</sup>	
Central office switching expense	6210 <sup>12</sup>	6210
Analog electronic expense	6211 <sup>1</sup>	
Digital electronic expense	6212 <sup>1</sup>	
Electro-mechanical expense	6215 <sup>1</sup>	
Operators system expense	6220 <sup>1</sup>	6220
Central office transmission expenses	6230 <sup>12</sup>	6230
Radio systems expense	6231 <sup>1</sup>	
Circuit equipment expense	6232 <sup>1</sup>	

Information origination/termination expense	6310 <sup>1 2</sup>	6310
Station apparatus expense	6311 <sup>1</sup>	
Large private branch exchange expense	6341 <sup>1</sup>	
Public telephone terminal equipment expense	6351 <sup>1</sup>	
Other terminal equipment expense	6362 <sup>1</sup>	
Cable and wire facilities expenses	6410 <sup>1 2</sup>	6410
Poles expense	6411 <sup>1</sup>	
Aerial cable expense	6421 <sup>1</sup>	
Underground cable expense	6422 <sup>1</sup>	
Buried cable expense	6423 <sup>1</sup>	
Submarine cable expense	6424 <sup>1</sup>	
Deep sea cable expense	6425 <sup>1</sup>	
Intrabuilding network cable expense	6426 <sup>1</sup>	
Aerial wire expense	6431 <sup>1</sup>	
Conduit systems expense	6441 <sup>1</sup>	
Plant nonspecific operations expense:		
Other property plant and equipment expenses	6510 <sup>1 2</sup>	6510
Property held for future Telecommunications use expense	6511 <sup>1</sup>	
Provisioning expense	6512 <sup>1</sup>	
Network operations expenses	6530 <sup>1 2</sup>	6530
Power expense	6531 <sup>1</sup>	
Network administration expense	6532 <sup>1</sup>	
Testing expense	6533 <sup>1</sup>	
Plant operations administration expense	6534 <sup>1</sup>	
Engineering expense	6535 <sup>1</sup>	
Access expense	6540 <sup>1</sup>	6540
Depreciation and amortization expenses	6560 <sup>2</sup>	6560
Depreciation expense - telecommunications plant in service	6561	
Depreciation expense - property held for future telecommunications use	6562	
Amortization expense - tangible	6563	
Amortization expense - intangible	6564	
Amortization expense - other	6565	
Customer operations expense:		
Marketing	6610 <sup>1 2</sup>	6610
Product management	6611 <sup>1</sup>	
Sales		6612 <sup>1</sup>
Product advertising	6613 <sup>1</sup>	
Services	6620 <sup>1 2</sup>	6620
Call completion services	6621 <sup>1</sup>	
Number services	6622 <sup>1</sup>	
Customer services	6623 <sup>1</sup>	
Corporate operations expense:		
Executive and planning	6710 <sup>1 2</sup>	6710
Executive	6711 <sup>1</sup>	
Planning	6712 <sup>1</sup>	

General and administrative	6720 <sup>1 2</sup>	6720
Accounting and finance	6721 <sup>1</sup>	
External relations	6722 <sup>1</sup>	
Human resources	6723 <sup>1</sup>	
Information management	6724 <sup>1</sup>	
Legal		6725 <sup>1</sup>
Procurement	6726 <sup>1</sup>	
Research and development	6727 <sup>1</sup>	
Other general and administrative	6728 <sup>1</sup>	
Provision for uncollectible notes receivable	6790	6790

<sup>1</sup> Subsidiary record categories required in accordance with § 32.5999(f) of this subpart.

<sup>2</sup> To be used by Class A telephone companies to summarize accounts for reporting purposes.

#### **§ 32.6110 Network support expenses.**

(a) This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 6112 through 6116. Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6112 through 6116.

(b) **FOR COMPANIES NOT SUBJECT TO SECTION 32.2(g)**, credits shall be made to this account by Class B companies for amounts transferred to Construction and/or other Plant Specific Operations Expense accounts. These amounts shall be computed on the basis of direct labor hours. (See also § 32.5999(f)(5) of this subpart.)

#### **§ 32.6112 Motor vehicle expense.**

(a) This account shall include costs of fuel, lubrications, license and inspection fees, washing, repainting, and minor accessories. Also included are the costs of personnel whose principal job is operating motor vehicles, such as chauffeurs and shuttle bus drivers. The costs of users of motor vehicles whose principal job is not the operation of motor vehicles shall be charged to accounts appropriate for the activities performed.

(b) **FOR COMPANIES NOT SUBJECT TO SECTION 32.2(g)**, credits shall be made to this account for amounts transferred to Construction and/or to other Plant Specific Operations Expense accounts. These amounts shall be computed on the basis of direct labor hours. (See also § 32.5999(f)(5) of this subpart.)

#### **§ 32.6113 Aircraft expense.**

(a) This account shall include such costs as aircraft fuel, flight crews, mechanics and ground crews, licenses and inspection fees, washing, repainting, and minor accessories.

(b) **FOR COMPANIES NOT SUBJECT TO SECTION 32.2(g)**, credits shall be made to this account for amounts transferred to Construction and/or to other Plant Specific Operations Expense accounts. These amounts shall be computed on the basis of direct labor hours. (See also § 32.5999(f)(5) of this subpart.)

**§ 32.6114 Special purpose vehicles expense.**

(a) This account shall include such costs as fuel, licenses and inspection fees, washing, repainting, and minor accessories. The costs of operators of this equipment shall be charged to accounts appropriate for the activities performed.

(b) **FOR COMPANIES NOT SUBJECT TO SECTION 32.2(g)**, credits shall be made to this account for amounts transferred to Construction and/or to other Plant Specific Operations Expense accounts. These amounts shall be computed on the basis of direct labor hours. (See also § 32.5999(f)(5) of this subpart.)

**§ 32.6115 Garage work equipment expense.**

This account shall be charged only with costs incurred in connection with the garage work equipment itself. The costs of using this equipment to maintain motor vehicles, special purpose vehicles, or other work equipment shall be charged to Accounts 6112, Motor Vehicles, 6114 Special Purpose Vehicles, or 6116 Other Work Equipment, as appropriate.

**§ 32.6116 Other work equipment expense.**

(a) This account shall be charged only with costs incurred in connection with this work equipment itself. The costs of operators of this equipment shall be charged to accounts appropriate for the activities performed.

(b) **FOR COMPANIES NOT SUBJECT TO SECTION 32.2(g)**, credits shall be made to this account for amounts transferred to Construction and/or to other Plant specific Operations Expense accounts. These amounts shall be computed on the basis of direct labor hours. (See also § 32.5999(f)(5) of this subpart.)

**§ 32.6120 General support expenses.**

This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 6121 through 6124. Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6121 through 6124.

**§ 32.6121 Land and building expense.**

(a) This account shall include expenses associated with land and buildings (excluding amortization of leasehold improvements). This account shall also include janitorial service, cleaning supplies, water, sewage, fuel and guard service, and electrical power.

(b) The cost of electrical power used to operate the telecommunications network shall be charged to Account 6531, Power Expense, and the cost of separately metered electricity used for operating specific types of equipment, such as computers, shall be charged to the expense account appropriate for such use.

**§ 32.6122 Furniture and artworks expense.**

This account shall include expenses associated with furniture and artworks.

**§ 32.6123 Office equipment expense.**

This account shall be charged only with costs incurred in connection with the office equipment itself. The costs of operators of this equipment shall be charged to accounts appropriate for the activities performed.

**§ 32.6124 General purpose computers expense.**

This account shall include costs of personnel whose principal job is the physical operation of general purpose computers and the maintenance of operating systems. This excludes the cost of preparation of input data or the use of outputs which are chargeable to the accounts appropriate for the activities being performed. Also excluded are costs incurred in planning, developing, testing, implementing, and maintaining data bases and application systems for general purpose computers. (See also Account 6724, Information Management.) Separately metered electricity for general purpose computers shall also be included in this account.

**§ 32.6210 Central office switching expense.**

This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 6211 through 6215. Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6211 through 6215.

**§ 32.6211 Analog electronic expense.**

This account shall include expenses associated with analog electronic switching.

**§ 32.6212 Digital electronic expense.**

This account shall include expenses associated with digital electronic switching.

**§ 32.6215 Electro-mechanical expense.**

(a) This account shall include expenses associated with electro-mechanical switching.

(b) **FOR COMPANIES NOT SUBJECT TO SECTION 32.2(g)**, subsidiary record categories shall be maintained as provided in § 32.2215(a) of Subpart C.

**§ 32.6220 Operator systems expense.**

This account shall include expenses associated with operator systems equipment.

**§ 32.6230 Central office transmission expense.**

This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 6231 and 6232. Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6231 and 6232.

**§ 32.6231 Radio systems expense.**

(a) This account shall include expenses associated with radio systems.

(b) **FOR COMPANIES NOT SUBJECT TO SECTION 32.2(g)**, subsidiary record categories shall be maintained as provided in § 32.2231(a) of Subpart C.

**§ 32.6232 Circuit equipment expense.**

This account shall include expenses associated with circuit equipment.

**§ 32.6310 Information origination/termination expense.**

This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 6311 through 6362. Class B telephone companies shall use this account for expenses of the type and character required of Class A telephone companies in Accounts 6311 through 6362.

**§ 32.6311 Station apparatus expense.**

This account shall include expenses associated with station apparatus. Expenses associated with company internal use communication equipment shall be recorded in Account 6123, Office Equipment Expense.

**§ 32.6341 Large private branch exchange expense.**

This account shall include expenses associated with large private branch exchanges. Expenses associated with company internal use communication equipment shall be recorded in Account 6123, Office Equipment Expense.

**§ 32.6351 Public telephone terminal equipment expense.**

This account shall include expenses associated with public telephone terminal equipment.

**§ 32.6362 Other terminal equipment expense.**

This account shall include expenses associated with other terminal equipment.

**§ 32.6410 Cable and Wire facilities expense.**

This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 6411 through 6441. Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6411 through 6441.

**§ 32.6411 Poles expense.**

This account shall include expenses associated with poles.

**§ 32.6421 Aerial cable expense.**

(a) This account shall include expenses associated with aerial cable.

(b) **FOR COMPANIES NOT SUBJECT TO SECTION 32.2(g)**, subsidiary record categories shall be maintained as provided in § 32.2421(a) of Subpart C. |



**§ 32.6422 Underground cable expense.**

(a) This account shall include expenses associated with underground cable.

(b) **FOR COMPANIES NOT SUBJECT TO SECTION 32.2(g)**, subsidiary record categories shall be maintained as provided in § 32.24.22(a) of Subpart C.

**§ 32.6423 Buried cable expense.**

(a) This account shall include expenses associated with buried cable.

(b) **FOR COMPANIES NOT SUBJECT TO SECTION 32.2(g)**, subsidiary record categories shall be maintained as provided in § 32.2423(a) of Subpart C.

**§ 32.6424 Submarine cable expense.**

(a) This account shall include expenses associated with submarine cable.

(b) **FOR COMPANIES NOT SUBJECT TO SECTION 32.2(g)**, subsidiary record categories shall be maintained as provided in § 32.2424(a) of Subpart C.

**§ 32.6425 Deep sea cable expense.**

(a) This account shall include expenses associated with deep sea cable.

(b) **FOR COMPANIES NOT SUBJECT TO SECTION 32.2(g)**, subsidiary record categories shall be maintained as provided in § 32.2425(a) of Subpart C.

**§ 32.6426 Intrabuilding network cable expense.**

(a) This account shall include expenses associated with intrabuilding network cable.

(b) **FOR COMPANIES NOT SUBJECT TO SECTION 32.2(g)**, subsidiary record categories shall be maintained as provided in § 32.2426(a) of Subpart C.

**§ 32.6431 Aerial wire expense.**

This account shall include expenses associated with aerial wire.

**§ 32.6441 Conduit systems expense.**

This account shall include expenses associated with conduit systems.

**§ 32.6510 Other property, plant and equipment expense.**

This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 6511 and 6512. Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6511 and 6512.

**§ 32.6511 Property held for future telecommunications use expense.**

This account shall include expenses associated with property held for future telecommunications use.

**§ 32.6512 Provisioning expense.**

(a) This account shall include costs incurred in provisioning material and supplies, including office supplies. This includes receiving and stocking, filling requisitions from stock, monitoring and replenishing stock levels, delivery of material, storage, loading or unloading and administering the reuse or refurbishment of material. Also included are adjustments resulting from the annual or more frequent inventory of material and supplies.

(b) **FOR COMPANIES NOT SUBJECT TO SECTION 32.2(g)**, credits shall be made to this account for amounts transferred to construction and/or to plant specific operations expense. These costs are to be cleared by adding to the cost of material and supplies a suitable loading charge. (See also § 32.5999(f)(5) of this subpart.)

**§ 32.6530 Network operations expense.**

This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 6531 through 6535. Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6531 through 6535.

**§ 32.6531 Power expense.**

This account shall include the cost of electrical power used to operate the telecommunications network.

**§ 32.6532 Network administration expense.**

This account shall include costs incurred in network administration. This includes such activities as controlling traffic flow, administering traffic measuring and monitoring devices, assigning equipment and load balancing, collecting and summarizing traffic data, administering trunking, and assigning interoffice facilities and circuit layout work.

**§ 32.6533 Testing expense.**

This account shall include costs incurred in testing telecommunications facilities from a testing facility (test desk or other testing system) to determine the condition of plant on either a routine basis or prior to assignment of the facilities; receiving, recording and analyzing trouble reports; testing to determine the nature and location of reported trouble condition; and dispatching repair persons or otherwise initiating corrective action. (Note also § 32.5999(b)(3) of this subpart.)

**§ 32.6534 Plant operations administration expense.**

(a) This account shall include costs incurred in the general administration of plant operations. This includes supervising plant operations (except as specified in § 32.5999(a)(3) of this subpart); planning, coordinating and monitoring plant operations; and performing staff work such as developing methods and procedures, preparing and conducting training (except on-the-job training) and coordinating safety programs.

(b) **FOR COMPANIES NOT SUBJECT TO SECTION 32.2(g)**, credits shall be made to this account for amounts transferred to Construction accounts. These amounts shall be computed on the basis of direct labor hours. (See § 32.2000(c)(2)(ii) of Subpart C.)

**§ 32.6535 Engineering expense.**

(a) This account shall include costs incurred in the general engineering of the telecommunications plant which are not directly chargeable to an undertaking or project. This includes developing input to the fundamental planning process, performing preliminary work or advance planning in connection with potential undertakings, and performing special studies of an engineering nature.

(b) **FOR COMPANIES NOT SUBJECT TO SECTION 32.2(g)**, credits shall be made to this account for amounts transferred to Construction accounts. These amounts shall be computed on the basis of direct labor hours. (See § 32.2000(c)(2)(ii) of Subpart C.)

**§ 32.6540 Access expense.**

(a) This account shall include amounts paid by interexchange carriers or other exchange carriers to another exchange carrier for the provision of carrier's carrier access.

(b) **FOR COMPANIES NOT SUBJECT TO SECTION 32.2(g)**, subsidiary record categories

shall be maintained in order that the entity may separately report interstate and intrastate carrier's carrier expense. Such subsidiary record categories shall be reported as required by Part 43 of this Commission's Rules and Regulations. (R-6)

**§ 32.6560 Depreciation and amortization expenses.**

This account shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 6561 through 6565. Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6561 through 6565.

**§ 32.6561 Depreciation expense - telecommunications plant in service.**

This account shall include the depreciation expense of capitalized costs in Accounts 2112 through 2441, inclusive.

**§ 32.6562 Depreciation expense - property held for future telecommunication use.**

This account shall include the depreciation expense of capitalized costs included in Account 2002, Property Held for Future Telecommunications Use.

**§ 32.6563 Amortization expense - tangible.**

This account shall include only the amortization of costs included in Accounts 2681, Capital Leases, and 2682, Leasehold Improvements.

**§ 32.6564 Amortization expense - intangible.**

This account shall include the amortization of costs included in Account 2690, Intangibles.

**§ 32.6565 Amortization expense - other.**

(a) This account shall include only the amortization of costs included in Account 2005, Telecommunications Plant Adjustment.

(b) This account shall also include lump-sum write offs of amounts of plant acquisition adjustment as provided for in § 32.2005(b)(3) of Subpart C.

(c) **FOR COMPANIES NOT SUBJECT TO SECTION 32.2(g)**, subsidiary records shall be maintained so as to show that character of the amounts contained in this account. |

**§ 32.6610 Marketing.**

This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 6611 through 6613. Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6611 through 6613.

**§ 32.6611 Product management.**

This account shall include costs incurred in performing administrative activities related to marketing products and services. This includes competitive analysis, product and service identification and specification, test market planning, demand forecasting, product life cycle analysis, pricing analysis, and identification and establishment of distribution channels.

**§ 32.6612 Sales.**

This account shall include costs incurred in selling products and services. This includes determination of individual customer needs, development and presentation of customer proposals, sales order preparation and handling, and preparation of sales records.

**§ 32.6613 Product advertising.**

This account shall include costs incurred in developing and implementing promotional strategies to stimulate the purchase of products and services. This excludes nonproduct-related advertising, such as corporate image, stock and bond issue and employment advertisements, which shall be included in the appropriate functional accounts.

**§ 32.6620 Services.**

This account shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 6621 through 6623. Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6621 through 6623.

**§ 32.6621 Call completion services.**

This account shall include costs incurred in helping customers place and complete calls, except directory assistance. This includes handling and recording; intercept; quoting rates, time and charges; and all other activities involved in the manual handling of calls.

**§ 32.6622 Number services.**

This account shall include costs incurred in providing customer number and classified listings. This includes preparing or purchasing, compiling, and disseminating those listings through directory assistance or other means.

**§ 32.6623 Customer services.**

(a) This account shall include costs incurred in establishing and servicing customer accounts. This includes:

- (1) Initiating customer service orders and records;
- (2) Maintaining and billing customer accounts;
- (3) Collecting and investigating customer accounts, including collecting revenues, reporting receipts, administering collection treatment, and handling contacts with customers regarding adjustments of bills;
- (4) Collecting and reporting pay station receipts; and
- (5) Instructing customers in the use of products and services.

(b) **FOR COMPANIES NOT SUBJECT TO SECTION 32.2(g)**, this account shall also include amounts paid by interexchange carriers or other exchange carriers to another exchange carrier for billing and collection services. Subsidiary record categories shall be maintained in order that the entity may separately report interstate and intrastate amounts. Such subsidiary record categories shall be reported as required by Part 43 of this Commission's Rules and Regulations. **(R-6)**

**§ 32.6710 Executive and planning.**

This account shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 6711 and 6712. Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6711 and 6712.

**§ 32.6711 Executive.**

This account shall include costs incurred in formulating corporate policy and in providing overall administration and management. Included are the pay, fees and expenses of boards of directors or similar policy boards and all board-designated officers of the company and their office staffs, e.g., secretaries and staff assistants.

**§ 32.6712 Planning.**

This account shall include costs incurred in developing and evaluating long-term courses of action for the future operations of the company. This includes performing corporate organization and integrated long-range planning, including management studies, options and contingency plans, and economic strategic analysis.

**§ 32.6720 General and administrative.**

This account shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 6721 through 6728. Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6721 through 6728.

**§ 32.6721 Accounting and finance.**

This account shall include costs incurred in providing accounting and financial services. Accounting services include payroll and disbursements, property accounting, capital recovery, regulatory accounting (revenue requirements, separations, settlements and corollary cost accounting), non-customer billing, tax accounting, internal and external auditing, capital and operating budget analysis and control, and general accounting (accounting principles and procedures and journals, ledgers, and financial reports). Financial services include banking operations, cash management, benefit investment fund management (including actuarial services), securities management, debt trust administration, corporate financial planning and analysis, and internal cashier services.

**§ 32.6722 External relations.**

This account shall include costs incurred in maintaining relations with government, regulators, other companies and the general public. This includes:

- (a) Reviewing existing or pending legislation (See also Account 7370, Special Charges, for lobbying expenses.);
- (b) Preparing and presenting information for regulatory purposes, including tariff and service cost filings, and obtaining radio licenses and construction permits;
- (c) Performing public relations and non-product-related corporate image advertising activities;
- (d) Administering relations, including negotiating contracts (See also Account 6725, Legal.), with telecommunications companies and other utilities, businesses, and industries. This excludes sales contracts (See also Account 6612, Sales); and
- (e) Administering investor relations.

**§ 32.6723 Human resources.**

This account shall include costs incurred in performing personnel administration activities. This includes:

- (a) Equal Employment Opportunity and Affirmative Action Programs;
- (b) Employee data for forecasting, planning and reporting;
- (c) General employment services;
- (d) Occupational medical services;
- (e) Job analysis and salary programs;
- (f) Labor relations activities;
- (g) Personnel development and staffing services, including counseling, career planning, promotion and transfer programs;
- (h) Personnel policy development;
- (i) Employee communications;
- (j) Benefit administration;
- (k) Employee activity programs;
- (l) Employee safety programs; and
- (m) Nontechnical training course development and presentation.

**§ 32.6724 Information management.**

This account shall include costs incurred in planning, developing, testing, implementing and maintaining data bases and application systems for general purpose computers.

**§ 32.6725 Legal.**

This account shall include costs incurred in providing legal services. this includes conducting and coordinating litigation, providing guidance on regulatory and labor matters, preparing, reviewing and filing patents and contracts and interpreting legislation. Also included are court costs, filing fees, and the costs of outside counsel, depositions, transcripts and witnesses.



**§ 32.6726 Procurement.**

This account shall include costs incurred in procuring material and supplies, including office supplies. This includes analyzing and evaluating suppliers' products, selecting appropriate suppliers, negotiating supply contracts, placing purchase orders, expediting and controlling orders placed for material, developing standards for material purchased and administering vendor or user claims.

**§ 32.6727 Research and development.**

(a) This account shall include costs incurred in making planned search or critical investigation aimed at discovery of new knowledge. It also includes translating research findings into a plan or design for a new product or process or for a significant improvement to an existing product or process, whether intended for sale or use.

(b) This excludes making routine alterations to existing products, processes, and other ongoing operations even though those alterations may represent improvements.

**§ 32.6728 Other general and administrative.**

This account shall include costs incurred in performing general administrative activities not directly charged to the user, and not provided for in other accounts. This includes providing general reference libraries, food services (e.g., cafeterias, lunch rooms and vending facilities), archives, general security investigation services, operating official private branch exchanges in the conduct of the business, and telecommunications and mail services. Also included are payments in settlement of accident and damage claims, insurance premiums for protection against losses and damages, direct benefit payments to or on behalf of retired and separated employees, accident and sickness disability payments, supplemental payments to employees while in governmental service, death payments, and other miscellaneous costs of a corporate nature. This account excludes the cost of office services, which are to be included in the accounts appropriate for the activities supported.

**§ 32.6790 Provision for uncollectible notes receivable.**

This account shall be charged with amounts concurrently credited to Account 1200, Notes Receivable, or to Account 1201, Notes Receivable Allowance, when such allowance is maintained.

## Subpart F - Instructions for Other Income Accounts

### § 32.6999 General.

(a) *Structure of Other Income Accounts.* The Other Income Accounts are designed to reflect both operating and nonoperating income items including taxes, extraordinary items and other income and expense items not properly included elsewhere.

(b) *Other Income Accounts Listing.*

Account Title	Class A Account	Class B Account
Other Operating Income and Expense:		
Other operating income and expense	7100 <sup>1</sup>	7100
Income from custom work	7110	
Return from nonregulated use of regulated facilities	7130	
Gains and losses from foreign exchange	7140	
Gains or losses from disposition of land and artwork	7150	
Other operating gains and losses	7160	
Operating Taxes:		
Operating taxes	7200 <sup>1</sup>	7200
Operating investment tax credits - net	7210	
Operating federal income taxes	7220	
Operating state and local income taxes	7230	
Operating other taxes	7240	
Provision for deferred operating income taxes - net	7250	
Nonoperating Income and Expense:		
Nonoperating income and expense	7300 <sup>1</sup>	7300
Dividend income	7310	
Interest income	7320	
Income from sinking and other funds	7330	
Allowance for funds used during construction	7340	
Gains or losses from the disposition of certain property	7350	
Other nonoperating income	7360	
Special charges	7370	
Nonoperating taxes:		
Nonoperating taxes	7400 <sup>1</sup>	7400
Nonoperating investment tax credits - net	7410	
Nonoperating federal income taxes	7420	
Nonoperating state and local income taxes	7430	
Nonoperating other taxes	7440	
Provision for deferred nonoperating income taxes - net	7450	

Interest and Related Items:		
Interest and related items	7500 <sup>1</sup>	7500
Interest on funded debt	7510	
Interest expense - capital leases	7520	
Amortization of debt issuance expense	7530	
Other interest deductions	7540	
Extraordinary Items:		
Extraordinary items	7600 <sup>1</sup>	7600
Extraordinary income credits	7610	
Extraordinary income charges	7620	
Current income tax effect of extraordinary items - net	7630	
Provision for deferred income tax effect of extraordinary items - net	7640	
Jurisdictional Differences and nonregulated income items:		
Income effect of jurisdictional ratemaking differences--net	7910	7910
Nonregulated net income	7990	7990

**[Added Acct. 7991: Other Nonregulated Revenue]**

**[Deleted Acct. 7991: Other Nonregulated Revenue]**

<sup>1</sup> To be used by Class A companies to summarize accounts for reporting purposes.

#### **§ 32.7099 Contents of accounts.**

Other Operating Income and Expense accounts are intended to record the results of transactions, events or circumstances during the periods which are incidental or peripheral to the major or central operations of the company. They shall include all items of an operating nature as incidental work performed for others not provided for elsewhere. Whenever practicable the inflows and outflows associated with a transaction, event or circumstance shall be matched and the results shown as a net gain or loss.

#### **§ 32.7100 Other operating income and expenses.**

This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 7110 through 7160. Class B companies shall use this account for other operating income and expense items of the type and character required of Class A companies in Accounts 7110 through 7160.

**§ 32.7110 Income from custom work.**

(a) This account shall include profits realized from custom work (plant construction) performed for others incident to the company's regulated telecommunications operations. This includes profits from the incidental performance of nontariffed construction activities (including associated engineering and design) for others which are similar in nature to those activities which are performed by the company in constructing its own telecommunications plant facilities.

(b) The records supporting the entries in this account shall be maintained with sufficient particularity to identify separately the revenue and costs associated with each undertaking.

**§ 32.7130 Return from nonregulated use of regulated facilities.**

This account shall include a return on investment for the use of regulated property plant and equipment to provide nonregulated products and services.

**§ 32.7140 Gains and losses from foreign exchange.**

This account shall include all gains and losses resulting from the exchange of foreign currency. Transactions (realized) gains or losses shall be measured based on the exchange rate in effect on the transaction date. Unrealized gains or losses shall be measured based on the exchange rate in effect at the balance sheet date.

**§ 32.7150 Gains and losses from the disposition of land and artworks.**

This account shall include gains or losses resulting from the disposition of land or artworks.

**§ 32.7160 Other operating gains and losses.**

This account shall be charged or credited, as appropriate, to record the results of transactions, events or circumstances which are of an operational nature, but occur irregularly or are peripheral to the major or central operations of the company and not provided for elsewhere.

**§ 32.7199 Content of accounts.**

The Operating Tax accounts shall include the taxes arising from the central operations of the company.

**§ 32.7200 Operating taxes.**

This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of accounts 7210 through 7250. Class B telephone companies shall use this account for operating taxes of the type and character required of Class A companies in accounts 7210 through 7250.

**§ 32.7210 Operating investment tax credits - net.**

(a) This account shall be charged and Accounts 4320, Unamortized Operating Investment Tax Credits-Net, shall be credited with investment tax credits generated from qualified expenditures related to regulated operations which the company defers rather than recognizes currently in income.

(b) This account shall be credited and Account 4320 shall be charged ratably with the amortization of each year's investment tax credits included in Account 4320 for investment services for ratemaking purposes. (See also Account 7410, Nonoperating Investment Tax Credits-Net.) Such amortization shall be determined in relation to the period of time used for computing book depreciation on the property with respect to which the tax credits relate.

**§ 32.7220 Operating federal income taxes.**

(a) This account shall be charged and Account 4070, Income Taxes-Accrued, shall be credited for the amount of Federal Income Taxes for the current period. This account shall also reflect subsequent adjustments to amounts previously charged.

(b) Taxes should be accrued each month on an estimated basis and adjustments made as later data becomes available.

(c) Tax credits, other than investment tax credits, if normalized, shall be recorded consistent with the accounting for investment tax credits and shall be amortized to in income as directed by this Commission.

(d) No entries shall be made to this account to reflect interperiod tax allocations.

**§ 32.7230 Operating state and local income taxes.**

(a) This account shall be charged and Account 4070, Income Taxes - Accrued, shall be credited for the amount of state and local income taxes for the current period. This account shall also reflect subsequent adjustments to amounts previously charged.

(b) Taxes should be accrued each month on an estimated basis and adjustments made as later data becomes available.

(c) No entries shall be made to this account to reflect interperiod tax allocations.

**§ 32.7240 Operating other taxes.**

(a) This account shall be charged and Account 4080, Other Taxes-Accrued, shall be credited for all taxes, other than Federal, state, and local income taxes and payroll related taxes, related to regulated operations applicable to current periods. Among the items includable in this account are property, gross receipts, franchise and capital stock taxes; this account shall also reflect subsequent adjustments to amounts previously charged.

(b) Special assessments for street and other improvements and special benefit taxes, such as water taxes and the like, shall be included in the operating expense accounts or investment accounts, as may be appropriate.

(c) Discounts allowed for prompt payment of taxes shall be credited to the account to which the taxes are chargeable.

(d) Interest on tax assessments which are not paid when due shall be included in Account 7540, Other Interest Deductions.

(e) Taxes paid by the company under tax-free covenants on indebtedness shall be charged to Account 7360, Other Nonoperating Income.

(f) Sales and use taxes shall be accounted for, so far as practicable, as part of the cost of the items to which the taxes relate.

(g) Taxes on rented telecommunications plant which are borne by the lessee shall be credited by the owners to Account 5240, Rent Revenue, and shall be charged by the lessee to the appropriate Plant Specific Operations Expense account.

**§ 32.7250 Provision for deferred operating income taxes - net.**

(a) This account shall be charged or credited, as appropriate, with contra entries recorded to the following accounts for income tax expense that has been deferred in accordance with § 32.22 of Subpart B:

4100 Net Current Deferred Operating Income Taxes

4340 Net Noncurrent Deferred Operating Income Taxes

(b) **FOR COMPANIES NOT SUBJECT TO SECTION 32.2(g)**, subsidiary record categories shall be maintained to distinguish between property and nonproperty related deferrals and so that the company may separately report the amounts contained herein that relate to Federal, state and local income taxes. Such subsidiary record categories shall be reported as required by Part 43 of the Commission's Rules and Regulations.

**§ 32.7299 Content of accounts.**

The nonoperating income and expense accounts are intended to record the results of transactions, events and circumstances affecting the company during a period and which are not operational in nature. They shall include such items as nonoperating taxes, dividend income and interest income. Whenever practicable the inflows and outflows associated with a transaction or event shall be matched and the result shown as a net gain or loss.

**§ 32.7300 Nonoperating income and expense.**

This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 7310 through 7370. Class B telephone companies shall use this account for nonoperating income and expense items of the type and character required Class A companies in Account 7310 through 7370.

**§ 32.7310 Dividend income.**

(a) This account shall include dividends on investments in common and preferred stock, which is the property of the company, whether such stock is owned by the company and held in its treasury, or deposited in trust (except in sinking or other funds, see paragraph (c) of this section), or otherwise controlled.

(b) These accounts shall not include dividends or other returns on securities issued or assumed by the company and held by or for it, whether pledged as collateral, or held in its treasury, in special deposits, or in sinking or other funds.

(c) Dividends on stocks of other companies held in sinking or other funds shall be credited to Account 7330, Income from Sinking and Other Funds.

(d) Dividends received and receivable from affiliated companies accounted for on the equity method shall be included in Account 1401, Investments in Affiliated Companies, as a reduction of the carrying value of the investments.

**§ 32.7320 Interest income.**

(a) This account shall include interest on securities, including notes and other evidences of indebtedness, which are the property of the company, whether such securities are owned by the company and held in its treasury, or deposited in trust (except in sinking or other funds, see paragraph (d) of this section) or otherwise controlled. It shall also include interest on bank balances, certificates of deposits, open accounts, and other analogous items.

(b) There shall be included in this account for each month the applicable amount requisite to extinguish, during the interval between the date of acquisition and date of maturity, the difference between the purchase price and the par value of securities owned, the income from which is includable in this account. Amounts thus credited or charged shall be concurrently included in the accounts in which the securities are carried. Any such difference remaining unextinguished at the sale or upon the maturity and satisfaction of such securities shall be cleared to Account 7360, Other Nonoperating Income.

(c) These accounts shall not include interest or other returns on securities issues or assumed by the company and held by or for it, whether pledged as collateral, or held in its treasury, in special deposits, or in sinking or other funds.

(d) Interest on cash and on securities issued by others shall be included in Account 7330, Income from sinking and Other funds, when such assets are held in sinking or other funds.

(e) Cash discounts on bills for material purchased shall not be included in this account.

**§ 32.7330 Income from sinking and other funds.**

(a) This account shall include the income accrued on cash, securities issued by other companies, and other assets (not including securities or assumed by the company) held in sinking and other funds.

(b) There shall be included in this account for each month the applicable amount requisite to extinguish, during the interval between the date of acquisition and the date of maturity, the difference between the purchase price, and the par value of securities held in sinking or other funds. Amounts thus credited or charged shall be concurrently included in the accounts in which the securities are carried. Any such differences remaining unextinguished upon the maturity and satisfaction of such securities shall be cleared to Account 7360, Other Nonoperating Income.

**§ 32.7340 Allowance for funds used during construction.**

This account shall be credited with amounts charged to the telecommunications plant under construction account. (See §32.2000 (c)(2)(x).)

**§ 32.7350 Gains or losses from the disposition of certain property.**

This account shall include gains or losses resulting from the disposition of the following:

(a) Gains or losses from the disposition of land or artworks;

(b) Gains or losses from the disposition of plant with traffic; and

(c) Gains or losses from the disposition of nonoperating telecommunications plant not previously used in the provision of telecommunications services.

**§ 32.7360 Other nonoperating income.**

(a) This account shall include all other items of income and gains or losses from activities not specifically provided for elsewhere.

(b) This account shall include representative items as follows:

(1) Fees collected in connection with the exchange of coupon bonds for registered bonds;

(2) Gains or losses realized on the sale of temporary cash investments or marketable equity securities;

(3) Uncollectible amounts previously credited to Accounts 7310 through 7350, inclusive;

(4) Net unrealized losses on investments in current marketable equity securities;



(5) Write-downs or write-offs of the book costs of investment in equity securities due to permanent impairment;

(6) Gains or losses of nonoperating nature arising from foreign currency exchange or translation;

(7) Gains or losses from the extinguishment of debt made to satisfy sinking fund requirements;

(8) Amortization of Goodwill;

(9) Company's share of the earnings or losses of affiliated companies accounted for on the equity method; and

(10) The net balance of the revenue from and the expenses (including depreciation; amortization and insurance) of property, plant, and equipment, the cost of which is includable in Account 2006, Nonoperating Plant.

#### **§ 32.7370 Special charges.**

This account shall include the following costs that are typically given special regulatory scrutiny for ratemaking purposes. Unless specific justification to the contrary is given, such costs are presumed to be excluded from the cost of service in setting rates.

(a) Lobbying includes expenditures for the purpose of influencing public opinion with respect to the election or appointment of public officials, referenda, legislation, or ordinances (either with respect to the possible adoption of new referenda, legislation or ordinances, or repeal or modification of existing referenda, legislation or ordinances) or approval, modification, or revocation of franchises, or for the purpose of influencing the decisions of public officials. This also includes advertising, gifts, honoraria, and political contributions. This does not include such expenditures which are directly related to communications with and appearances before regulatory or other governmental bodies in connection with the reporting utility's existing or proposed operations;

(b) Contributions for charitable, social or community welfare purposes;

(c) Membership fees and dues in social, service and recreational or athletic clubs and organizations;

(d) Penalties and fines paid on account of violations of statutes. This account shall also include penalties and fines paid on account of violations of U.S. antitrust statutes, including judgments and payments in settlement of civil and criminal suits alleging such violations; and

(e) Abandoned construction projects.

#### **§ 32.7399 Content of accounts.**

The Nonoperating Tax accounts shall include taxes arising from activities which are not a part